



**Director of
Central
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16 June 1982

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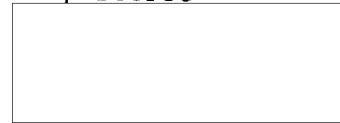
16 June 1982

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25X1

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Contents



25X1

USSR: *Gromyko's UN Speech* 7

USSR - Western Europe: *Reaction to Summits* 8

25X1



Chad: *Fragile Prospects for Peace* 10

25X1

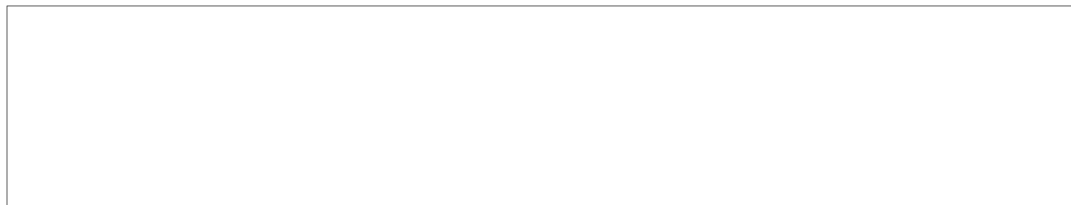


Western Europe: *Currency Realignment* 12

25X1



Seychelles: *Trial of Mercenaries* 13



Chile: *Peso Devalued* 16

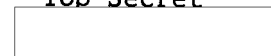
25X1

China: *Decline in Grain Harvest* 16

25X1



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25X1

Page Denied

Next 5 Page(s) In Document Denied

25X1

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USSR: Gromyko's UN Speech

In a hard-hitting address yesterday attacking all aspects of US policy, Soviet Foreign Minister Gromyko tried to seize the initiative on arms control issues and blame the US for the lack of progress. []

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Gromyko began by reading a message from President Brezhnev announcing a unilateral pledge not to be the first country to use nuclear weapons. Gromyko stated that the US START proposal is "lop sided," but that the idea of a mutual freeze on nuclear arsenals advanced by many world figures is close to the Soviet viewpoint. []

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The Foreign Minister said Moscow is submitting to the UN Special Session a draft agreement on the prohibition of chemical weapons that would include suggestions on verification measures. Gromyko stated that wants to resume negotiations on a comprehensive test ban, on limitations of naval activities, and on conventional arms transfers. []

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Comment: The Foreign Minister's address was deliberately crafted for its emotional appeal to arms control advocates in the West. It attempted to show that the USSR was at the forefront in each of the important arms control areas, with US policy the main reason for stalemate. The pledge on no first use--a further refinement of a long standing Soviet proposal--probably was highlighted in the Brezhnev message for its simple, emotional impact. []

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Gromyko's statements on START and the INF talks broke little new ground. His reference to a Soviet draft agreement on chemical weapons was unexpected and the emphasis on monitoring was aimed at answering Western critics. []

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In addition to his obvious propaganda purpose, Gromyko appeared to be trying to engage the US in a broader dialogue by calling for resumption of such arms control negotiations a comprehensive test ban and conventional arms transfer, as well as for serious negotiations on START and INF. []

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USSR - WESTERN EUROPE: Reaction to Summits

//Soviet commentary reflects some satisfaction at the continued dissension in the West over economic issues, but it also betrays more concern over the growing consensus on security matters.//

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//The Soviets praised the West European governments and Japan at the summit in Versailles for refusing to subscribe to the US "philosophy of confrontation" in the economic sphere. TASS did acknowledge some US success in "imposing" a provision that vaguely calls for limiting export credits to the USSR and Eastern Europe, but other Soviet commentary stresses the "sharp differences" between the US and the others over the fundamental purposes of East-West trade and the effect on West European economies of high US interest rates.//

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//Soviet media, in commenting on the meeting in Bonn, focused on the demonstrations by peace activists throughout President Reagan's West European trip and on US pressure on NATO Allies. TASS reported that, despite their conciliatory public statements, the Allies have confirmed by their decisions that they intend to continue past policies of armament and provocation.//

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A Pravda editorial by "A. Petrov,"

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attacked the President's speech to the Bundestag as a deceitful attempt to disrupt the "postwar realities" of Europe. On Monday Pravda described the President's address to the British Parliament as an "open challenge to nuclear war."

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Comment: The commentary betrays more uneasiness than satisfaction with the results of the two summits. The Soviets seem to believe that it has become more difficult to deny the US the propaganda advantage in Western Europe on security issues.

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USSR - EASTERN EUROPE: Annual Talks Allegedly Canceled

Romanian, Yugoslav and Hungarian diplomats in Moscow have told the US Embassy during the past week that President Brezhnev's traditional meetings with East European party chiefs in the Crimea will not be held this summer because of his precarious health.

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CHAD: Fragile Prospects for Peace

//Head of state Habre is taking firm steps to ease factional strife, curb Libyan meddling, and promote some semblance of national unity.// [redacted]

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//Chad's new leader has moved quickly to try to reconcile his differences with other faction heads-- especially southern strongman Kamougue, who last week put down a rebellion by some of his forces opposed to making peace with Habre. [redacted]

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The Zairian Government has agreed to a request by Habre for its contingent to the OAU peacekeeping force to remain in N'Djamena beyond the deadline of 30 June set by the OAU for troop withdrawals. French officials in Paris indicate that the Senegalese also plan to extend their stay. Habre believes the continued presence of a neutral force will facilitate negotiations among Chad's feuding factions and discourage major Libyan meddling any time soon. [redacted]

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Comment: Habre's efforts--and Kamougue's reassertion of authority--bode well for a lessening of tensions between north and south. If Habre can gain broad support among southerners, he should be able to form a coalition government capable of limiting for a while the worst excesses of civil war. At the same time, Chad's deep-seated ethnic and regional animosities and economic problems will make longer term stability tenuous at best. [redacted]

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WESTERN EUROPE: Currency Realignment

After weeks of increasing pressure on the French franc, the EC finance ministers on Sunday devalued the franc by 5.75 percent while revaluing the West German mark and Dutch guilder upward by 4.25 percent against the European Currency Unit. The Italian lira was devalued by 2.75 percent to maintain Italian price competitiveness with French goods. The realignment was accompanied by a new French austerity program designed to cut the 14-percent inflation rate to 10 percent by reducing the budget and Social Security deficits, freezing wages and most prices, and cutting money supply growth. [redacted]

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Comment: Pressures for the realignment were largely the result of the divergent economic policies of the participating countries. While President Mitterrand was stimulating the economy, which tended to increase inflation, most other EC countries were reducing it. If financial markets are not convinced that the new French program will work, the franc will weaken again and threaten the stability of the European Monetary System. [redacted]

[redacted]

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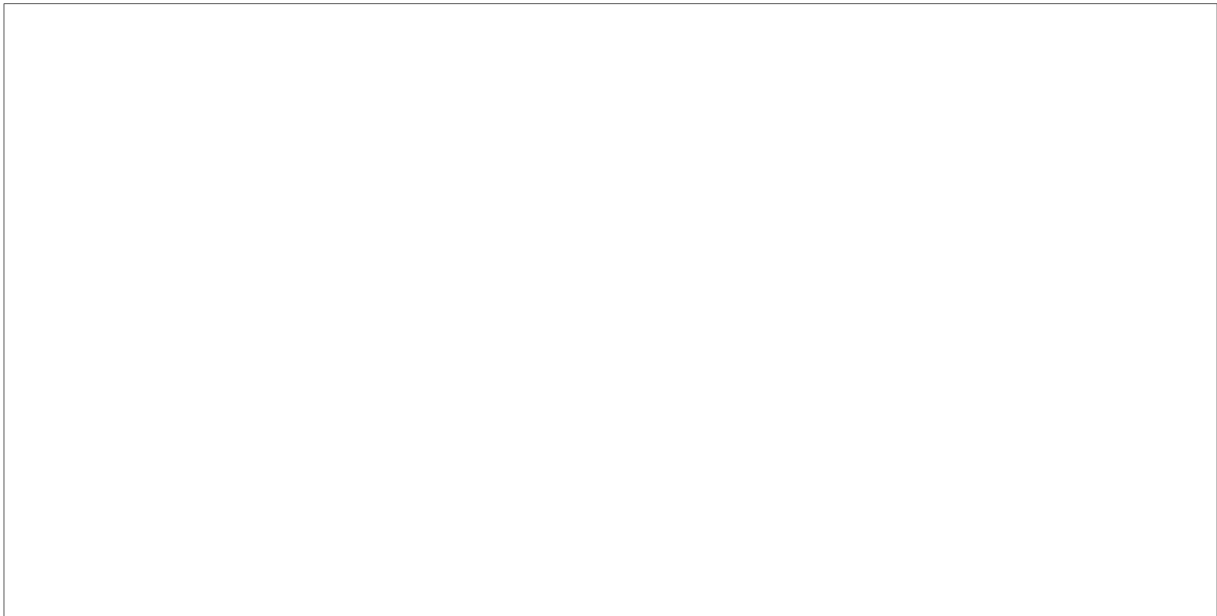
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SEYCHELLES: Trial of Mercenaries

The trial of the seven South African mercenaries captured following the coup attempt last November is scheduled to begin today. It will produce press speculation of US involvement in the coup attempt.

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Comment: Rene probably will prefer to avoid implicating the US and to keep the trial focused on alleged South African involvement. The President does not want to jeopardize US aid and the lucrative satellite tracking station agreement with Washington. Following the conviction of the mercenaries, Rene is likely to try to arrange for their return to South Africa, possibly in return for financial compensation for damage incurred during the attempted coup.

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CHILE: Peso Devalued

Santiago announced an 18-percent peso devaluation yesterday, the first exchange rate change since July 1979. The government plans to devalue the peso further at a 9-percent annual rate to improve export competitiveness. The devaluation is part of a series of measures recently implemented to shore up the economy. [redacted]

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Comment: The move probably will help reduce the trade deficit by stemming the rise in imports, although the impact on exports will be blunted by depressed world demand for Chilean products. Domestic manufacturers also will recoup some sales lost to foreign competition, and some new overseas investment projects could become more attractive. The inflationary pressures accompanying the exchange rate change should be contained by tight fiscal and monetary policy. [redacted]

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CHINA: Decline in Grain Harvest

China has announced a decline in the summer grain harvest from the level of 60 million tons in 1981, which will necessitate continued wheat imports. The harvest consists mainly of winter wheat and makes up nearly 20 percent of the total grain crop. Dry weather and a slight reduction in sown area were responsible for the decline. [redacted]

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Comment: The Chinese did not state the size of the drop [redacted]

[redacted] US shipments of wheat and corn this year are likely to total roughly 8 million tons, 60 percent of China's total grain purchases. [redacted]

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